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Subject:

File Note on R&D capitalisation

Discussions were held between the audit team and Elizabeth Crispin of NAA. The company has previously expenses in Q2 \$2.1m in relation to the SPE project. We have documented on our <5743R&D memo that the project was technically and commercially feasible at the outset. Whilst para 71 states that amounts previously expenses should not subsequently be capitalised, NAA were of the opinion that this was overridden by para 26 of IAS 34 which requires the estimates made in the interim should be updated to reflect the most appropriate position at the year end.

Given the amounts which should have been capitalised in Q2 were not material, there is no requirement to restate the Q2 or H1 figures. The correct accounting should therefore be to capitalise the Q2 amounts during the third quarter and then to remove the amounts previously charged from R&D.

R&D capitalised

Relating to prior quarters - 2.1m

Relating to Q3 - 9.6m

Total R&D expense in P&L for the quarter 31.5m

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

TRIAL EXHIBIT NUMBER 5781

CASE NO. 3:16-cr-00462-CRB

DATE ENTERED 4/5/2018

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